

Message Text

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ACTION AF-08

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03
SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15
STR-04 CEA-01 AGRE-00 L-03 H-01 PA-01 PRS-01 /095 W
-----100730Z 120591 /15

R 100615Z FEB 77

FM AMEMBASSY KINSHASA
TO SECSTATE WASHDC 1709
INFO AMEMBASSY BRUSSELS

C O N F I D E N T I A L SECTION 1 OF 2 KINSHASA 1193

DEPARTMENT PLEASE PASS EXIM, TREASURY, COMMERCE

E.O. 11652: GDS

TAGS: EFIN, EINV, ECON, CG

SUBJECT: GOZ ELABORATES RETROCESSION POLICIES

REF: (A) 76 KINSHASA A-155; (B) 76 LUBUMBASHI A-50;
(C) 76 KINSHASA 8645; (D) 76 KINSHASA 8420;
(E) 76 KINSHASA 7898; (F) 75 KINSHASA 11113

1. SUMMARY. GOZ STATE COMMISSIONER FOR PORTFOLIO MAMBU HAS ANNOUNCED IN AN INTERVIEW CLARIFICATIONS OF THE GOZ'S RETROCESSION POLICIES THAT APPEAR TO RESTRICT MORE TIGHTLY THAN PREVIOUSLY BELIEVED THE CIRCUMSTANCES UNDER WHICH RETROCESSION WILL BE IMPLEMENTED. MAMBU SAID THAT RETROCESSION WOULD NOT BE APPLIED TO ZAIRIANIZED FIRMS THAT HAD NOT BEEN RADICALIZED UNLESS THEY HAD BEEN MISMANAGED BY THE ZAIRIAN ACQUEREUR. HE ALSO SPECIFIED THAT ACQUEREURS WHO HAD MERGED BUSINESSES RECEIVED UNDER ZAIRIANIZATION WOULD NOT HAVE TO RETROCEDE THEIR PROPERTY SO LONG AS THE BUSINESSES WERE PROSPERING AS WELL AS THEY HAD BEFORE ZAIRIANIZATION. MAMBU SAID THAT THE NUMBER OF BUSINESSES ALREADY RETROCEDED WAS QUITE SMALL RELATIVE TO THE NUMBER OF BUSINESSES WHICH HAD BEEN ZAIRIANIZED. MAMBU EMPHASIZED THAT RETROCESSION
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IN NO WAY ABOLISHED THE POLICY OF ZAIRIANIZATION. END SUMMARY.

2. IN AN INTERVIEW PUBLISHED IN SERIES IN SALONGO FEB 3 AND 4 AND REPRINTED TWICE ON FEB 5, THE SECOND TIME WITH AN EXPLANATORY ADDENDUM, STATE COMMISSIONER FOR PORTFOLIO MAMBU ELABORATED ON THE GOZ'S PLANS FOR IMPLEMENTING THE POLICY OF RETROCESSION. HE SUGGESTED THAT THE FORMER OWNERS OF ZAIRIANIZED BUSINESSES

HAD THOUGHT THAT RETROCESSION WOULD MEAN THE ABOLITION OF THE PRINCIPLE OF ZAIRIANIZATION AND BELIEVED THAT THEY WOULD BE RETURNED THEIR ZAIRIANIZED PROPERTY. THIS, MAMBU SAID, WAS NOT THE CASE. HE NOTED THAT THE GOZ HAD STIPULATED ON SEPT. 17, 1976, THAT PETIT COMMERCE, RANCHING, FARMS AND FISHERIES WOULD REMAIN ZAIRIANIZED EXCEPT IN CASE OF MISMANAGEMENT. MAMBU ACKNOWLEDGED THAT THERE HAD BEEN SOME DEBATE OVER WHAT CONSTITUTED PETIT COMMERCE; ACQUIREURS TENDED TO CALL THEIR BUSINESSES PETIT COMMERCE WHILE THE FORMER OWNERS TENDED TO CONSIDER THEM LARGE BUSINESSES. SIMILARLY, WHAT ACQUIREURS TENDED TO CALL SMALL PLANTATIONS, FORMER OWNERS TENDED TO DESCRIBE A LARGE AGRO-INDUSTRIAL COMPLEXES. TO RESOLVE THIS DIFFERENCE OF PERSPECTIVE, MAMBU SAID, PRESIDENT MOBUTU HAD DECLARED THAT ALL LARGE ENTERPRISES HAD IN PRINCIPLE BEEN RADICALIZED. THOSE REMAINING ENTERPRISES THAT HAD NOT BEEN RADICALIZED WERE THUS, BY DEFINITION, PETIT COMMERCE. THEREFORE, ZAIRIANIZED PROPERTY WHICH WAS NOT SUBSEQUENTLY RADICALIZED WOULD NOT BE RETROCEDED EXCEPT IN CASES OF MISMANAGEMENT.

3. MAMBU WENT ON TO SPECIFY THAT MISMANAGEMENT (DEFAILLANCE) WOULD BE DETERMINED WITH REFERENCE TO THE FOLLOWING STANDARDS:

- A) COMPLETE CESSATION OF THE ACTIVITIES OF THE FIRM
- B) INEFFICIENT MANAGEMENT LEADING TO THE IMMOBILIZATION OF THE ACTIVITIES OF THE FIRM
- C) EMBEZZLEMENT
- D) NON-REPAYMENT OF BANK LOANS
- E) COMPLETE ABSENCE OF ACCOUNTING RECORDS
- F) NON-RESPECT OF THE LAW E.G., RE TAXES, SOCIAL SECURITY OBLIGATIONS

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4. MAMBU ADDED THAT THOSE ZAIRIANS WHO HAD MERGED THEIR ZAIRIANIZED PROPERTIES WOULD BE ALLOWED TO KEEP THEIR ACQUISITIONS EXCEPT IN CASES OF MISMANAGEMENT. PLANTATIONS WHICH HAD BEEN MISMANAGED WOULD BE CONSIDERED ABANDONED AND WOULD BE TREATED BY A SPECIAL PRESIDENTIAL ORDER. IN AN ADDENDUM APPEARING IN A FEB 4 REPRINT, MAMBU WARNED ACQUIREURS THAT "WHAT'S DONE IS DONE" AND SAID THAT COMPANIES ALREADY RETROCEDED WOULD REMAIN SO. HE ALSO ADVISED THAT MISMANAGED PLANTATIONS WOULD NOT BE TRANSFERRED TO OTHER ACQUIREURS BUT WOULD BE RETURNED TO THE FORMER OWNERS WHO WOULD BE REQUIRED TO SEEK A 40 PERCENT ZAIRIAN PARTNER. IF THE FORMER OWNER DID NOT TAKE BACK THE FIRM, THEN THE STABILIZATION COMMITTEE WOULD DISPOSE OF THE PROPERTY.

5. MAMBU ALSO DECLARED THAT ANEZA'S ROLE, WHICH IN FACT HAS BEEN QUITE SIGNIFICANT IN MANY CASES, WAS OFFICIALLY LIMITED TO INFORMATION COLLECTION AND NOTED THAT THE REGIONAL RETROCESSION COMMITTEES COULD NOT MAKE RETROCESSION POLICY BUT COULD ONLY IMPLEMENT THE DECISIONS OF THE STABILIZATION COMMITTEE IN

STRAIGHTFORWARD CASES.

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SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15
STR-04 CEA-01 AGRE-00 L-03 H-01 PA-01 PRS-01 /095 W
-----100731Z 120672 /15

R 100630Z FEB 77

FM AMEMBASSY KINSHASA
TO SECSTATE WASHDC 1710
INFO AMEMBASSY BRUSSELS

C O N F I D E N T I A L SECTION 2 OF 2 KINSHASA 1193

DEPARTMENT PLEASE PASS EXIM, TREASURY, COMMERCE

6. MAMBU SAID THAT THE NUMBER OF FIRMS RETROCEDED WAS RATHER SMALL RELATIVE TO THE TOTAL NUMBER OF FIRMS AFFECTED BY ZAIRIANIZATION. IN KASAI ORIENTAL, FOR EXAMPLE, OF 28 FIRMS ZAIRIANIZED ONLY TWO HAD BEEN RETROCEDED. IN SOME OF THE OTHER PROVINCES, THE NUMBER OF FIRMS RETROCEDED WAS AS FOLLOWS:

- A) KASAI OCCIDENTAL: 7
- B) SHABA: 48
- C) KIVU: 40

7. MAMBU CLOSED BY EMPHASIZING THAT RETROCESSION WAS A POLICY DESIGNED TO STRENGTHEN, NOT ABOLISH, THE PRINCIPLE OF ZAIRIANIZATION.

8. COMMENT. MAMBU'S INTERVIEW IS THE FIRST COMPREHENSIVE STATEMENT SINCE SEPTEMBER 1976 REGARDING THE GOZ'S OVERALL APPROACH IN IMPLEMENTING RETROCESSION. MOST LARGE INDUSTRIAL FIRMS WHICH WERE ZAIRIANIZED WERE LATER RADICALIZED AND ALREADY HAVE BEEN (OR WILL BE) RETROCEDED. FROM THESE FIRMS MOBUTU HOPES TO GAIN THE ECONOMIC BENEFITS OF RETROCESSION--IMPROVED MANAGEMENT AND NEW CAPITAL INVESTMENT. MANY OF THE FIRMS REMAINING ARE SMALLER COMMERCIAL OR AGRICULTURAL ENTERPRISES, OFTEN FAMILY OWNED.
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FOR THESE RETROCESSION HAS SEEMED DESIGNED MORE TO GARNER POLITICAL GOOD WILL IN BELGIUM THAN TO GAIN CONCRETE ECONOMIC OBJECTIVES. THE DECISION NOT TO RETROCEDE THESE PROPERTIES WILL CERTAINLY NOT PLEASE THE EXPATRIATES (BELGIANS, AS WELL AS PORTUGUESE, GREEKS, PAKISTANIS AND OTHERS) WHO LOSE THE OPPORTUNITY TO REGAIN THEIR BUSINESSES. WE FIND THE TIMING OF THE INTERVIEW, JUST AFTER MOBUTU'S DEPARTURE FROM BRUSSELS, INTRIGUING AND BELIEVE THAT THIS MAY BE A SIGN THAT THE ZAIRIANS WERE LESS THAN PLEASED WITH THE AID OFFERINGS OF THE BELGIAN GOVERNMENT.

9. THE ANNOUNCEMENT MAY ALSO BE RELATED TO TWO PREVIOUS REPORTS CONCERNING CELZA, THE COMPLEX OF ZAIRIANIZED PLANTATIONS OWNED BY PRESIDENT MOBUTU. SINCE CELZA WAS NOT RADICALIZED, IT WILL APPARENTLY NOT BE RETROCEDED -- A CONFIRMATION OF REPORTS WE HAD PREVIOUSLY HEARD. SECONDLY, THE INTERVIEW ALSO APPEARS TO BE RELATED TO A AZAP ARTICLE OF JANUARY 29 WHICH QUOTED AN ASSISTANT REGIONAL COMMISSIONER AS SAYING THAT MAMBU HAD ORDERED THAT ALL MISMANAGED OR ABANDONED PLANTATIONS BE TURNED OVER TO CELZA. GOZ OFFICIALS IN THE DEPARTMENT OF PORTFOLIO LATER ACKNOWLEDGED THAT SUCH INSTRUCTIONS HAD BEEN GIVEN BUT SAID THAT THE ORDER WAS NOT SUPPOSED TO HAVE BEEN MADE PUBLIC. IN THE TEXT OF HIS INTERVIEW MAMBU DID NOT DENY THE CELZA REPORT BUT SAID THAT MISMANAGED OR ABANDONED PLANTATIONS WOULD BE SUBJECT TO A SPECIAL PRESIDENTIAL ORDER. IN THE ADDENDUM PRINTED A DAY LATER, HOWEVER, MAMBU SAID THAT MISMANAGED PROPERTIES WOULD BE RETURNED TO THE FORMER OWNERS. IF THE FORMER OWNER FAILED TO RETURN, THE DISPOSITION OF THE PROPERTY WOULD BE HANDLED BY THE STABILIZATION COMMISSION.

10. THE APPARENT SHIFTS IN GOZ RETROCESSION POLICY MAY HAVE COME AS A RESULT OF COMPLAINTS FROM THE ELITE THAT REGIONAL RETROCESSION COMMITTEES WERE PUSHING RETROCESSION TOO FAR. BELGIAN EMBASSY SOURCES HAVE INFORMED US THAT THE ELITE HAVE BEEN PARTICULARLY UNHAPPY THAT RETURNING BELGIAN BUSINESSMEN HAVE BYPASSED THEM AND CHOSEN WHAT THEY CONSIDER TO BE EASILY CONTROLLABLE LOWER ECHELON ZAIRIANS AT THEIR 40 PERCENT PARTNERS
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IN RETROCEDED COMPANIES. MAMBU'S BELITTLEMENT OF THE ROLE OF ANEZA AND THE REGIONAL COMMITTEES AND HIS EMPHASIS ON THE SMALL NUMBER OF FIRMS RETROCEDED SEEM TO BE DESIGNED TO REASSURE ACQUEREURS THAT THE GOZ WILL NOT LET OVER-ZEALOUS REGIONAL RETROCESSION COMMITTEES GO TOO FAR.

11. POOR COMMUNICATIONS BETWEEN MOBUTU'S PARTY ABROAD AND KINSHASA MAY HAVE CONTRIBUTED TO THE SOMEWHAT CONFUSING AND CONTRADICTORY NATURE OF THE RECENT ANNOUNCEMENTS ON RETROCESSION. THE FACT THAT MAMBU'S INTERVIEW WAS REPRINTED SUGGESTS THAT IT WAS MEANT TO

BE READ AS OFFICIAL GOZ POLICY. MOBUTU HAS THE OPTION, HOWEVER,
OF TREATING IT AS A TRIAL BALLOON. NOW THAT HE HAS RETURNED,
WE WILL BE LOOKING FOR FURTHER CLARIFICATIONS OF THE GOZ'S
INTENTIONS REGARDING RETROCESSION.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DISPUTE SETTLEMENT, POLICIES, ECONOMIC PROGRAMS
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Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977KINSHA01193
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770047-0755
Format: TEL
From: KINSHASA
Handling Restrictions: n/a
Image Path:
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Legacy Key: link1977/newtext/t19770255/aaaabwit.tel
Line Count: 229
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Office: ACTION AF
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 76 KINSHASA A-155, 76 LUBUMBASHI A-50, 76 KINSHASA 8645, 76 KINSHASA 8420, 76 KINSHASA 7898, 75 KINSHASA 11113
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 24-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3356280
Secure: OPEN
Status: NATIVE
Subject: GOZ ELABORATES RETROCESSION POLICIES
TAGS: EFIN, EINV, ECON, CG
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/985774c8-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009